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INDEPENDENT AUDITOR'S REPORT

To the Library Board
Jonesville District Library
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jonesville District Library, Hillsdale County, Michigan, as of and for the year ended December 31, 2009, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jonesville District Library as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that page management's discussion and analysis and budgetary comparison information on pages 2 through 4 and page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
November 24, 2010

Introduction

This section of the Jonesville District Library's annual financial report presents our discussion and analysis of the Library's financial performance during the year ended December 31, 2009. This section is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Library's financial activity; c) identify changes in the Library's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues and concerns. The reader should use this analysis along with the annual report to gain a complete picture of the Jonesville District Library for the year ended December 31, 2009.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2009:

- The assets of the Library exceeded its liabilities at the end of the most recent fiscal year by \$860,409 (net assets) at the government-wide level.
- The Library's total net assets decreased by \$68,146 as a result of current year activity at the government-wide level. This decrease is primarily due to depreciation expense charged to the current period.
- Total governmental fund balance increased by \$27,406 in the current year at the fund level.

Using this Annual Report

The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The following tables show, in a condensed format, the net assets as of December 31, 2008 and 2009 and the changes in the net assets during the year.

TABLE 1 - NET ASSETS**Assets****Current Assets**

<u>2008</u>	<u>2009</u>
\$ 452,305	\$ 477,128
<u>480,128</u>	<u>384,576</u>
<u>\$ 932,433</u>	<u>\$ 861,704</u>

Noncurrent Assets**Total Assets**

Jonesville District Library

Management's Discussion and Analysis Year Ended December 31, 2009

Liabilities		
Current Liabilities	\$ 3,878	\$ 1,295
Noncurrent Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 3,878</u>	<u>\$ 1,295</u>
Net Assets		
Invested in Capital Assets - Net of Related Debt	\$ 480,128	\$ 384,576
Unrestricted	<u>448,427</u>	<u>475,833</u>
Total Net Assets	<u>\$ 928,555</u>	<u>\$ 860,409</u>
Total Liabilities and Net Assets	<u>\$ 932,433</u>	<u>\$ 861,704</u>

TABLE 2 - CHANGES IN NET ASSETS

Revenue	\$ 148,900	\$ 154,046
Expenses – Library Services	<u>(198,695)</u>	<u>222,192</u>
Increase (Decrease) in Net Assets	<u>\$ (70,321)</u>	<u>\$ (68,146)</u>

The Library's total net assets were \$860,409 at December 31, 2009. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$475,833 at the end of the fiscal year. The net assets invested in capital assets were \$384,576.

Governmental Activities

The Library's governmental revenues totaled \$154,046 with the greatest revenue source being the tax levy. The levy makes up approximately 71 percent of total governmental revenue.

The Library incurred expenses of \$222,192 during the year. The majority of governmental expense is associated with depreciation and the staffing of the Library, which provides all library services. Depreciation represents 43 percent of the Library's total expenses and wages represent 28 percent.

The Library's Funds

The Library's major fund consists solely of the General Fund. An analysis of the General Fund can be found in the first column on pages 5 and 6. The fund column provides detailed information about the most significant fund, not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The Library did not have any nonmajor funds for the fiscal year ended December 31, 2009.

The General Fund pays for all of the Library's governmental services. The most significant service provided during the fiscal year was library staffing, which incurred expenditures of approximately \$61,382 for the fiscal year.

Library Budgetary Highlights

Prior to the beginning of the year, the Library's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Library's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews all expenditures throughout the year.

Capital Assets And Debt Administration

The Library's capital assets consist of the building, equipment, and the library collection. At the end of the fiscal year, the Library had \$384,576 invested in a range of capital assets, including buildings, land, and materials (net of depreciation). There were no known changes to credit rating or debt limitations during the year.

Factors bearing on the Library's future

We are still seeing a rise in the use of our computers by people applying for unemployment, writing a resume and filling out applications on line. We are spending more of our time helping patrons that have never used a computer before. There has been cuts to Library funding in Michigan, this makes it harder for libraries to provide for their patrons.

Some schools are now requiring students to use a computer for homework. Not every family can afford a computer or if they have a computer they can't afford internet hook-up. We have been lucky enough to have an AARP employee placed with us in the past year. She works 20 per week and is always busy.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Secretary or Treasurer of the Jonesville District Library Board of Directors.

JONESVILLE DISTRICT LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and Cash Equivalents	\$ 370,233	\$ 0	\$ 370,233
Taxes Receivable	106,895	0	106,895
Fixed Assets, net	<u>0</u>	<u>384,576</u>	<u>384,576</u>
Total Assets	<u>\$ 477,128</u>	<u>\$ 384,576</u>	<u>\$ 861,704</u>
LIABILITIES			
Accounts Payable	<u>\$ 1,295</u>	<u>\$ 0</u>	<u>\$ 1,295</u>
Total Liabilities	<u>\$ 1,295</u>	<u>\$ 0</u>	<u>\$ 1,295</u>
FUND BALANCE/NET ASSETS			
Fund Balance			
Unreserved/Undesignated	<u>\$ 475,833</u>	<u>\$ (475,833)</u>	<u>\$ 0</u>
Total Fund Balance	<u>\$ 475,833</u>	<u>\$ (475,833)</u>	<u>\$ 0</u>
Total Liabilities and Fund Balance	<u>\$ 477,128</u>	<u>\$ (475,833)</u>	<u>\$ 1,295</u>
Net Assets			
Invested in Capital Assets - Net of Related Debt		\$ 384,576	\$ 384,576
Restricted		0	0
Unrestricted		<u>475,833</u>	<u>475,833</u>
Total Net Assets		<u>\$ 860,409</u>	<u>\$ 860,409</u>
Total Liabilities and Net Assets			<u>\$ 861,704</u>

The accompanying notes are an integral part of this statement.

JONESVILLE DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
DECEMBER 31, 2009

	General <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
REVENUE			
State Aid	\$ 3,702	\$ 0	\$ 3,702
Penal Fines	16,068	0	16,068
Fayette Library Millage	109,010	0	109,010
Municipal Contributions	1,500	0	1,500
Interest on Investments	16,566	0	16,566
Gifts & Memorials	4,490	0	4,490
Fines, Fees and Other	<u>2,710</u>	<u>0</u>	<u>2,710</u>
Total Revenue	<u>\$ 154,046</u>	<u>\$ 0</u>	<u>\$ 154,046</u>
EXPENDITURES			
Wages	\$ 61,382	\$ 0	\$ 61,382
Payroll Tax Expense	4,876	0	4,876
Insurance	3,739	0	3,739
Utilities	5,351	0	5,351
Telephone	1,975	0	1,975
Computer Services	1,822	0	1,822
Office Expense	3,871	0	3,871
Dues & Memberships	1,035	0	1,035
Books & Videos	17,227	0	17,227
Periodicals	1,072	0	1,072
Supplies	7,403	0	7,403
Maintenance and cleaning	7,776	0	7,776
Memorial expenditures	109	0	109
Miscellaneous	1,483	0	1,483
Professional Fees	2,800	0	2,800
Reading Programs and Workshops	3,710	0	3,710
Workshops	1,009	0	1,009
Capital Outlay	0	0	0
Depreciation	<u>0</u>	<u>95,552</u>	<u>95,552</u>
Total Expenditures	<u>\$ 126,640</u>	<u>\$ 95,552</u>	<u>\$ 222,192</u>
Excess of Revenue Over (Under)			
Expenditures/Change in Net Assets	\$ 27,406	\$ (95,552)	\$ (68,146)
Fund Balance/Net Assets – Beginning of Year	<u>448,427</u>	<u>480,128</u>	<u>928,555</u>
Fund Balance/Net Assets – End of Year	<u>\$ 475,833</u>	<u>\$ 384,576</u>	<u>\$ 860,409</u>

The accompanying notes are an integral part of this statement.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Jonesville District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Financial Reporting Entity

The Jonesville District Library is located in the Village of Jonesville, Hillsdale County, Michigan, and is governed by a five member board. The financial support is provided primarily through a 1 mill tax levy for library operations, Hillsdale County penal fines, additional support from municipal contributions by the State of Michigan (State Aid), and the Townships of Scipio and Moscow, as well as charitable donations and memorials. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. Based on these criteria, there are no component units to be included in these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes and municipal contributions are susceptible to accrual. All other revenue items are considered to be available only when the cash is received by the Library.

Financial Statement Presentation

The Library reports the following major governmental fund: the General Fund is the Library's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

Capital Assets - Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Library maintains a capitalization threshold of \$1,000.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	39 years
Furniture and Fixtures	7 years
Library books, periodicals, etc.	7 years
Computer equipment	5 years

Budgets, Budgetary Accounting and Budget Basis of Accounting - Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Library uses the same basis of accounting for budgeting purposes as for financial statement presentation.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Jonesville District Library.

Restricted Resources – When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Library Board at the line-item level. Any budgetary modifications may only be made by resolution of the Library Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to December 31, a public hearing is conducted on the proposed budget to obtain taxpayer comments.
- 2) Prior to December 31, the budget is legally enacted through passage of a resolution.
- 3) The Library Board is authorized to transfer budgeted amounts between line items.
- 4) During the year the budget is monitored, and amendments to are made when necessary.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

<u>Description</u>	<u>Amount of</u>		
	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Office Expense	3,000	3,871	871
Supplies	2,300	7,403	5,103

NOTE 3 - DEPOSITS AND INVESTMENTS

The Library uses financial institutions for cash purposes, which is in accordance with statutory authority. The accounts maintained in the financial institutions are checking, savings, and certificates of deposit. The interest rates of the savings accounts are at variable daily rates.

The Library's deposits are subject to several types of risk, which are examined in more detail as follows:

Interest Rate Risk - In accordance with its investment policy, the Library minimizes interest rate risk, which is the risk that market value of securities in the portfolio will fall due to changes in the market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and by limiting the average maturity in accordance with the Library's cash requirements.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Library minimizes credit risk by limiting investments to the types of securities allowed by State law. The Library's investment policy puts no further limits on its investment choices.

Concentration of Credit Risk - The Library will minimize concentration of credit risk, which is the risk of loss attributed to magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk (Deposits) - In the case of deposits, this is the risk that in the event of a financial institution failure, the Library's deposits may not be recovered. As of December 31, 2009, all of the bank balance of \$371,585 was insured for custodial credit risk. Certificates of deposits and money market accounts are included in the above totals.

Foreign Currency Risk - The Library is not authorized to invest in investments which have this type of risk.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2009, was as follows:

	Balance <u>January 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>December 31, 2009</u>
Land and Improvements	\$ 6,009	\$ 0	\$ 0	\$ 6,009
Building and Improvements	462,288	0	0	462,288
Books, Audios, Videos	545,178	0	0	545,178
Furniture and Fixtures	<u>93,531</u>	<u>0</u>	<u>0</u>	<u>93,531</u>
Total Capital Assets	\$ 1,107,006	\$ 0	\$ 0	\$ 1,107,006
Less: Accum. Depreciation	<u>(626,878)</u>	<u>(95,552)</u>	<u>0</u>	<u>(722,430)</u>
Net Capital Assets	<u>\$ 480,128</u>	<u>\$ (95,552)</u>	<u>\$ 0</u>	<u>\$ 384,576</u>

Depreciation expense for the fiscal year ended December 31, 2009 was \$95,552.

NOTE 5 - PROPERTY TAXES

On May 4, 1999, the electors of Fayette Library approved a maximum 1 mill tax levy for library operations. The taxes are collected by the Fayette Township Treasurer each year from December 1 through March 1. The delinquent taxes (real property) are turned over to the County Treasurer for collection. The total library levy on the December 1, 2009, Fayette Library tax roll was \$108,263.

NOTE 6 - UNEMPLOYMENT TAXES

The Library is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of December 31, appropriate liabilities (if any) have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance for claims relating to general liability, physical damage (equipment, buildings, and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverage and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 8 - CONCENTRATIONS

The Library receives a major portion of its revenue from the County of Hillsdale in the form of allocated penal fines. Reduction or elimination of this funding, if this were to occur, would have a significant effect on the organization's programs and activities.

JONESVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 475,833
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	<u>384,576</u>
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Net Assets of General Fund - Full Accrual Basis	<u><u>\$ 860,409</u></u>
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Net Change in Fund Balances - Modified Accrual Basis	\$ 27,406
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Amounts reported in the statement of net activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	0
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Deduct: depreciation expense	<u>(95,552)</u>
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Change in Net Assets of General Fund - Full Accrual Basis	<u><u>\$ (68,146)</u></u>
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JONESVILLE DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2009

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Fund Balance – Beginning of Year	\$ 448,427	\$ 448,427	\$ 448,427	\$ 0
Resources (Inflows)				
State Aid	1,500	1,500	3,702	2,202
Penal Fines	20,000	20,000	16,068	(3,932)
Fayette Library Millage	105,000	105,004	109,010	4,010
Municipal Contributions	300	300	1,500	1,200
Interest on Investments	4,000	4,000	16,566	12,566
Gifts & Memorials	2,500	2,500	4,490	1,990
Fines, Fees and Other	<u>480</u>	<u>480</u>	<u>2,710</u>	<u>2,230</u>
Amounts Available for Appropriation	<u>\$ 582,207</u>	<u>\$ 582,207</u>	<u>\$ 602,473</u>	<u>\$ 20,266</u>
Charges to Appropriations (Outflows)				
Wages	\$ 65,700	\$ 66,620	\$ 61,382	\$ (5,238)
Payroll Taxes	5,000	5,000	4,876	(124)
Insurance	2,000	3,750	3,739	(11)
Utilities	6,500	6,500	5,351	(1,149)
Telephone	2,000	2,000	1,975	(25)
Computer Services	1,200	1,998	1,822	(176)
Office Expense	3,000	3,000	3,871	871
Dues & Memberships	4,000	1,412	1,035	(377)
Books/Videos	18,000	18,420	17,227	(1,193)
Periodicals	1,100	1,100	1,072	(28)
Supplies	2,300	2,300	7,403	5,103
Maintenance and Cleaning	10,580	9,480	7,776	(1,704)
Memorial Expenditures	2,500	900	109	(791)
Miscellaneous	2,625	2,825	1,483	(1,342)
Professional Fees	1,700	2,800	2,800	0
Reading Programs	5,000	4,250	3,710	(540)
Workshops	575	1,425	1,009	(416)
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	<u>\$ 133,780</u>	<u>\$ 133,780</u>	<u>\$ 126,640</u>	<u>\$ (7,140)</u>
Fund Balance – End of Year	<u>\$ 448,427</u>	<u>\$ 448,427</u>	<u>\$ 475,833</u>	<u>\$ 27,406</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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November 24, 2010

Jonesville District Library
Jonesville, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Jonesville District Library as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness.

Financial Statement Preparation

The Library does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenue and expenditures, to track changes in capital assets, and to present required financial statement disclosures. We recognize the time and expense that would be required to obtain the necessary training and expertise to perform this task internally. We recommend that you continue to carefully review the draft financial statements and notes prepared by your external auditors prior to approving them and accepting responsibility for their content and presentation.

In addition, we noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses.

Annual Budget

There were a few accounts which had expenditures in excess of the budget for the year. We recommend that the budget be carefully and amended to prevent over-expenditure, including instances where expenditures are

incurred prior to year-end but paid for afterwards. A public hearing needs to be held and documented as such in the board minutes.

Petty Cash

The petty cash account that is administered by the Librarian should be recorded in the accounting software monthly and budgeted accordingly.

This communication is intended solely for the information and use of the Library Board and others within the Library, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan

November 24, 2010